



BRAINCELLS INC. ACQUIRES CLINICAL-STAGE COMPOUND SABCOMELINE FROM PROXIMAGEN GROUP

SAN DIEGO, Calif., August 4, 2010 – BrainCells Inc. today announced that it has signed an agreement with Proximagen Group to acquire sabcomeline, a clinical-stage muscarinic partial agonist that has potential in the treatment of various psychiatric and neurologic disorders. Under the terms of the agreement, BrainCells will pay Proximagen an upfront fee and development and sales milestone payments together worth up to \$51 million, as well as a royalty on sales, for worldwide development and commercial rights to the compound.

BrainCells leads the scientific research of neurogenesis using its proprietary neural stem cell technology to identify novel compounds for the treatment of neuropsychiatric disorders. In its evaluation of muscarinic agents as a novel approach to treat depression and cognition, BrainCells determined sabcomeline is highly neurogenic *in vitro* and active in several animal behavioral models. When sabcomeline was combined with an on-market serotonin reuptake inhibitor (SSRI) in animal behavioral models measuring effects on mood and cognition, it showed strong activity and increased neurogenesis, suggesting that there is a synergistic response. Sabcomeline has been shown to be safe and well tolerated in more than 3,000 patients. It has been studied in six Phase 3 efficacy studies in Alzheimer's disease and two Phase 2 efficacy studies in schizophrenia.

BrainCells plans to initiate a Phase 2 clinical trial to evaluate sabcomeline as augmentation to SSRIs for the treatment of patients with major depressive disorder (MDD). Improvements in cognitive function will also be measured. The use of sabcomeline with SSRIs is covered in a patent issued to BrainCells in March 2010 (U.S. Patent No 7,678,363).

"Based on our investigation of the neurogenic activity of muscarinic agents, BrainCells is pursuing the promising concept of utilizing this class of compounds for the treatment of neuropsychiatric disorders," said Jim Schoeneck, Chief Executive Officer of BrainCells Inc. "Backed by insights from our neural stem cell platform, we can quickly move into mid-stage clinical trials in this large-market indication. With only 30-40 percent of patients with depression fully responding to treatments currently on the market, the need remains for agents with new mechanisms of action as well as those that have the ability to augment the effect of current treatments," Schoeneck added.

About BrainCells Inc.

BrainCells Inc. is a drug discovery and development company leading the scientific research of neurogenesis by applying its proprietary human neural stem cell platform technology to identify novel pathways for new therapeutics to treat various central nervous system (CNS) diseases. Neurogenesis is the process by which stem cells in the adult human brain produce new brain tissue, including neurons. With its predictive screening platform, BrainCells can direct the selection and development of neurogenic compounds, increasing the opportunity for successful clinical trials in a variety of indications. For more information, visit www.braincellsinc.com.

About Proximagen Group plc.

Proximagen is a leading biotechnology company committed to developing novel drugs and innovative new treatments for disorders of the central nervous system, bringing new hope to patients and value to its shareholders. Founded in 2003 as a spin-out from King's College London, Proximagen joined the Alternative Investment Market of the London Stock Exchange in March 2005, raising £13.5 million via a placing. In June 2009, the Company

raised an additional £50 million and continues to expand its drug pipeline through acquisition, in-licensing and partnering, with the aim of becoming one of the world's leading companies developing therapeutics for patients suffering from diseases of the central nervous system. For more information, visit the company's website at www.proximagen.com

Contact:

Kim Richards
Canale Communications for BrainCells Inc.
619-849-5377
kim@canalecomm.com